TAX AND FINANCE

Renewable Energy Tax Legislation

HB 07-1191 *(Postponed Indefinitely)*
Exempt Business Personal Property Tax For Alt. Energy

HB 07-1279 *(Enacted)*
Machinery Exempt From Sales & Use Tax

Divestment in Sudan

HB 07-1184 *(Enacted)*
Sudan Divestment Public Pension Funds

Severance Taxes and Federal Mineral Leasing Revenue

HB 07-1096 *(Enacted)*
CO Water Resources Research Institute

HB 07-1139 *(Enacted)*
Severance Tax Distribution to Local Governments

HB 07-1155 *(Postponed Indefinitely)*
Oil Shale Severance Tax Revenues

HB 07-1182 *(Enacted)*
Species Conservation Trust Fund

HB 07-1309 *(Enacted)*
Oil & Gas Interest School Energy Efficiency

HB 07-1372 *(Enacted)*
Severance Tax Operational Account Reserve

SB 07-008 *(Enacted)*
Expand Water Efficiency Grant Program

SB 07-127 *(Enacted)*
Redistribute Excess Mineral Leasing Fund

Economic Development

HB 07-1009 *(Enacted)*
Repeal Tourism Funding Limitation

HB 07-1015 *(Enacted)*
International State Trade Representative Brief GA

HB 07-1060 *(Enacted)*
Bioscience Research Grants

HB 07-1188 *(Postponed Indefinitely)*
Income Tax Credit For New Job Creation

HB 07-1201 *(Enacted)*
Extend Pet Overpopulation Fund Checkoff

HB 07-1202 *(Enacted)*
Economic Development Fund Minimum Standards

HB 07-1206 *(Enacted)*
Increase Gaming Moneys For Film Commission

Tobacco Settlement Money

HB 07-1335 *(Enacted)*
Supplement Low-Income State Employee Benefits

HB 07-1359 *(Enacted)*
Accelerate Use of Strategic Contribution Fund Moneys

SB 07-097 *(Enacted)*
Allocate Tobacco Settlement Moneys

Rainy Day Fund

HB 07-1302 *(Postponed Indefinitely)*
Increase State General Fund Reserve

HCR 07-1003 *(Postponed Indefinitely)*
Create Savings & Trust Fund

Property Taxes

HB 07-1106 *(Enacted)*
Elderly & Disabled Assistance Grants

HB 07-1177 *(Enacted)*
Adjust Residential Valuation Assessment

HB 07-1251 *(Enacted)*
Referendum E Implementing Legislation

HB 07-1325 *(Postponed Indefinitely)*
Business Personal Property Tax Exemption

SB 07-199 *(Enacted)*
School Finance

Income Taxes		
HB 07-1153 *(Postponed Indefinitely)* *Tax Rebate For Volunteer Firefighters*	**HB 07-1188** *(Postponed Indefinitely)* *Income Tax Credit For New Job Creation*	**HB 07-1201** *(Enacted)* *Extend Pet Overpopulation Fund Checkoff*
HB 07-1273 *(Postponed Indefinitely)* *Medical Care Expenses Reduce Income Tax*	**HB 07-1354** *(Enacted)* *Breast Cancer Income Tax Checkoff*	**SB 07-037** *(Enacted)* *Continue Organ Tissue Donation Fund*
Sales Taxes		
HB 07-1168 *(Enacted)* *Forest Improvement Special Districts*	**HB 07-1190** *(Enacted)* *Regional Transportation Authority Tax Collection Cost*	**HB 07-1219** *(Enacted)* *Health Care Special Districts*
HB 07-1277 *(Enacted)* *Sales & Use Tax Exemption For Cleanrooms*	**HB 07-1279** *(Enacted)* *Machinery Exempt From Sales & Use Tax*	**HB 07-1344** *(Enacted)* *Public Safety & Local Improvement Sales Tax*
Miscellaneous Public-Finance Measures		
HB 07-1100 *(Enacted)* *Increase Funds For Older CO Cash Fund*	**HB 07-1164** *(Postponed Indefinitely)* *Taxpayer Transparency Act*	**HB 07-1290** *(Postponed Indefinitely)* *Dept of Revenue Tax Incidence Study*
HB 07-1361 *(Enacted)* *Verify Conservation Easement Tax Credits*		

In 2007, the General Assembly debated public finance-related bills that dealt with:

- ✓ renewable energy tax legislation;
- ✓ divestment in Sudan;
- ✓ severance taxes and federal mineral leasing revenue;
- ✓ economic development;
- ✓ tobacco settlement money;
- ✓ a rainy day fund;
- ✓ property taxes;
- ✓ income taxes;
- ✓ sales taxes; and
- ✓ miscellaneous public-finance measures.

Renewable Energy Tax Legislation

During the 2007 session, the legislature focused on a number of measures that promoted the use of renewable energy. Two of these measures debated affected sales and personal property taxes.

Sales taxes exemption. State law exempts the purchase of certain machinery and machine tools that are used to manufacture tangible personal property from state sales and use taxes. In November 2006, the Department of Revenue determined that the exemption did not apply to machinery used in the production of electricity. **House Bill 07-1279** clarifies that the purchases of machinery or machine tools used in the production of electricity from a renewable energy source, including but not limited to wind energy or in a facility for which a long-term power purchase agreement was fully executed between February 5, 2001 and November 7, 2006, is exempt from Colorado sales and use tax.

Personal property tax exemption. **House Bill 07-1191** would have exempted 25 percent of all business personal property used to produce alternative energy which was put into service in 2008. The exemption would have increased to 50 percent in tax year 2009, and 100 percent in each year thereafter. This bill was postponed indefinitely.

Divestment in Sudan

Genocide in Darfur. The United States has declared that the Sudanese Government and the Janjaweed militia are responsible for the genocide in the Darfur region of Sudan. The General Assembly responded by passing **HB 07-1184** which requires certain public entities, such as the Public Employees Retirement Association, to identify companies that do business with the government of Sudan and to prohibit future investment in those companies. The State Attorney General is responsible for the enforcement of this bill.

Severance Taxes and Federal Mineral Leasing Revenue

The severance tax was created to recapture some of the state's resources lost due to mineral extraction activities. Another state revenue source related to mineral extraction activities is federal mineral leasing revenue. The state receives a portion of this revenue from the federal government when individuals or companies lease federal lands for mineral development in the state. Revenue to the state from both of these sources has increased significantly in recent years due to the booming oil and natural gas activity in the state. The following section describes major 2007 legislation related to the severance tax and federal mineral lease revenue.

Spending from the Severance Tax Trust Fund Operational Account. The Operational Account of the Severance Tax Trust Fund receives 25 percent of severance tax receipts. Money in the account has traditionally been used to fund the following programs in the Department of Natural Resources – Colorado Oil and Gas Conservation Commission, Colorado Geological Survey, Division of Minerals and Geology, and Colorado Water Conservation Board.

In the last two sessions, the General Assembly has passed several bills that divert money out of the operational account to fund various programs, such as water-related programs, agriculture-related programs, clean energy development, species conservation, and low-income energy assistance. Table 1 provides information on 2007 legislation impacting the operational account and provides the total amount of money diverted out of the account from legislation passed in 2006 and 2007.

It is important to note that the operational account has certain reserve requirements and that there may not be enough revenue to fully fund the programs created in 2006 and 2007 and meet the reserve requirements. Current law does not specify how those programs would be prioritized should there be insufficient revenue to fund them all and to fully fund the reserve requirements. Some of the bills passed in 2006 and 2007 made funding from the account contingent on various reserve requirements.

Table 1
2007 Legislation Impacting the Operational Account of the Severance Tax Trust Fund

Bill Title	Summary	Estimated FY 2007-08 Diversion	Estimated FY 2008-09 Diversion
HB 07-1096 **Colorado Water Resources Research Institute Funding**	This bill transfers $150,000 from the operational account to the Colorado Water Resources Research Institute for FY 2007-08. The Institute develops, implements, and coordinates water and water-related research and information transfer in Colorado.	$150,000	$0
HB 07-1182 **Species Conservation Trust Fund**	This bill authorizes the transfer of various amounts from the operational account if specific conditions are met to the Species Conservation Trust Fund, which is used to meet the state's obligations under the federal Endangered Species Act. The specific conditions include the status of the Deep Underground Science and Engineering Laboratory (DUSEL) project, the amount of severance tax collections the state receives, and whether certain reserve requirements for the operational account are met. The bill authorized up to $9,485,000 in transfers in FY 2007-08 if all the conditions were met. However, it is estimated that only $6.0 million will be transferred in FY 2007-08 based on the Legislative Council Staff June revenue forecast.	6,000,000	2,000,000
HB 07-1372 **Severance Tax Operational Account Reserve**	In order to meet the operational account's reserve requirement, this bill lowers the transfer to the Water Supply Reserve Account in the Severance Tax Trust Fund used by the Colorado Water Conservation Board from $10 million to $6 million in FY 2007-08 and makes one additional transfer of $6 million to the account in FY 2010-11. In addition, the bill reduces expenditures in the Governor's Office from the operational account by $75,837 in FY 2006-07 and $151,371 in FY 2007-08 due to the joint appointment of the director of the Department of Natural Resources as the director of compact negotiations for the Interbasin Compact Committee.	($4,151,371)	0
SB 07-008 **Expand Water Efficiency Grant Program**	This bill expands the type of entities that can participate in the Water Efficiency Grant Program to any state or local governmental entity that provides water to retail customers. This bill transfers $800,000 from the operational account to the Water Efficiency Grant Program Cash Fund for funding grants. In addition, the bill makes additional transfers of up to $1 million to the fund at the beginning of fiscal years 2008-09 and 2009-10, conditional upon the balance within the operational account.	800,000	1,800,000
	2007 Legislation Total	**$2,798,629**	**$3,800,000**
	2006 Legislation Total	**$27,081,881**	**$32,089,227**
	Grand Total	**$29,880,510**	**$35,889,227**

Other severance tax-related legislation. Beginning with FY 2007-08, **House Bill 07-1139** increases the allocation of annual severance tax revenue directly distributed to counties and municipalities with mining employees living in their jurisdictions from 15 percent to 30 percent of the 50 percent share of total severance tax collections which goes to the Department of Local Affairs. Thus, the share of funds allocated to local governments that are socially or economically impacted by the development and extraction of minerals under DOLA's Energy and Mineral Impact Assistance Program is decreased from 85 percent to 70 percent.

House Bill 07-1309 requires estimated tax payments and withholding for oil and gas severance taxes to be made on a monthly basis, rather than quarterly. The additional interest earned from making monthly payments – estimated to be around $500,000 in FY 2007-08 and FY 2008-09 – will be deposited into the Public School Energy Efficiency Fund, up to a maximum of $1.5 million annually, until September 1, 2010. This money will be used by the Governor's Energy Office for energy efficiency projects and programs in public schools.

House Bill 07-1155, which was postponed indefinitely, would have redirected a portion of the allocation of state revenue from the severance tax imposed on oil shale to the State Highway Fund and for property tax relief beginning in FY 2010-11. Currently, no severance tax revenue from oil shale is being realized in the state as the commercial production of shale-derived oil is still in the research and development phase.

Federal mineral leasing revenue. **Senate Bill 07-127,** which was postponed indefinitely, would have changed the way that the federal mineral leasing revenue received by the state is distributed. Under the bill, in years when federal mineral leasing revenue exceeds $120 million, the first $60 million would have been divided equally between the State Public School Fund and the Capital Construction Fund. Money above this level would have been distributed under the existing formula. Thus, the State Public School Fund and the Capital Construction Fund would have received more money, while local governments and water conservation projects would have received less money.

Economic Development

Tourism and economic development funding. In the 2006 session, **House Bill 06-1201** redirected $19 million annually, adjusted for inflation, in limited gaming tax revenue from the General Fund to the Colorado Travel and Tourism Promotion Fund to promote tourism. In addition to funding tourism promotion, it redirected an additional $5.0 million annually, adjusted for inflation, in limited gaming revenue for the following economic development purposes:

- $3.0 million to the New Jobs Incentives Cash Fund;
- $1.5 million to the State Council on the Arts Cash Fund; and
- $0.5 million to the Film Incentives Cash Fund.

Under House Bill 06-1201, if state revenue was insufficient to fund General Fund appropriations at the 6 percent limit**,** the limited gaming revenue otherwise transferred to the programs would have been transferred to the General Fund to allow for 6 percent General Fund appropriations growth.

House Bill 07-1009 gives the Joint Budget Committee (JBC) authority to run a bill that identifies partial transfers to the various economic development programs if the Legislative Council Staff March forecast indicates that revenue will not be sufficient to allow for 6 percent General Fund appropriations growth. However, if the JBC does not run legislation and if the state treasurer determines that the amount of General Fund revenue will be insufficient to allow for a 6 percent increase in General Fund appropriations based on the Legislative Council Staff June revenue forecast, the state treasurer must transfer money received by the programs to the General Fund.

Another 2007 bill made adjustments to the program established in 2006 distributing limited gaming money to economic development-related programs. **House Bill 07-1206** increases the $500,000 annual allocation, adjusted for inflation, of gaming revenue from the General Fund portion of the Limited Gaming Fund to the Film Incentives Cash Fund by $100,000 for a total of $600,000 starting in FY 2006-07.

International trade. Another bill, **House Bill 07-1015**, which was signed into law, relates to international trade issues affecting Colorado. It requires the Colorado International Trade Office within the Governor's office to:

- review and analyze proposed international trade agreements to assess their impact on goods and services produced by Colorado businesses;
- provide input to the Office of the United States Trade Representative in the development of international trade, commodity, and direct investment policies and agreements that reflect the needs of the state of Colorado;
- make annual presentations to the Legislative Council during the interim, and by March 1 of each year to the finance committees of the Senate and House of Representatives; and
- coordinate with other state and local government economic development entities.

Bioscience industry development. During the 2006 session, **House Bill 06-1360** was enacted to promote the bioscience industry in the state by increasing partnerships between the state's bioscience companies and research institutions. The bill established grants of up to $150,000 per bioscience research project to help turn bioscience research discoveries into commercial products. The grants were funded by $2.0 million of the General Fund portion of limited gaming money in FY 2005-06 only.

House Bill 07-1060 provided another $2.5 million in FY 2006-07 from limited gaming money for the program created by House Bill 06-1360. It also established smaller maximum grant amounts ($100,000) for research projects that are funded by grants received under the federal Small Business Innovation Research program or the federal Small Business Technology Transfer program. Projects that are not provided grants from the two aforementioned federal programs will receive 20 percent of the money and must be used for biofuel projects, while 80 percent will be allocated to projects receiving the federal grant money. Of this latter amount, 75 percent must be used for life sciences research projects, and 25 percent for biofuel projects.

The bioscience industry encompasses companies that commercialize products and services derived from knowledge based on the life sciences, such as pharmaceutical companies, companies producing medical equipment and devices, therapeutic products and services companies, and companies involved with food and agricultural products.

Standards for economic development assistance. **House Bill 07-1202** establishes minimum standards, such as adequate pay and labor standards, that any person or entity must satisfy in order to receive a grant or loan from the Colorado Economic Development Commission based on a proposal to create new jobs. Under the bill, any grant or loan recipient must file an annual report with the commission with information on its progress in creating new jobs and their salary levels. The bill also requires that the annual report submitted by the commission to the General Assembly include information collected about job creation by grant and loan recipients.

Tax credit for new jobs. One bill was introduced to create a state income tax credit for employers that create new jobs. The bill was postponed indefinitely. **House Bill 07-1188** authorized a one-time, non-refundable income tax credit capped at $1,500. The credit amount was based upon the wages paid for each new job created.

Tobacco Settlement Money

There were two significant measures impacting the tobacco settlement money the state receives under the Master Settlement Agreement – an agreement between most states and certain tobacco manufacturing companies. **Senate Bill 07-097** reallocates the portion of the tobacco settlement money received by the state that had been credited to the General Fund and Tobacco Litigation Settlement Trust Fund to health care-related programs. The other portion of tobacco settlement money was already allocated to programs that were mostly health-related. Tobacco settlement money is spent in the fiscal year after it is received.

The amount of money reallocated from the General Fund and Tobacco Litigation Settlement Trust Fund under **Senate Bill 07-097** is $30.3 million in FY 2006-07, and is expected to be around $34.0 million in subsequent fiscal years. About half the reallocated money (49.0 percent) is provided to the University of Colorado Health Sciences Center. The remainder is allocated to the following programs:

- mental health services for juvenile and adult offenders (12.0 percent);
- indigent health care provided by rural and public hospitals (8.5 percent);
- local public health services (7.0 percent);
- short-term grants for innovative health programs (6.0 percent, plus most of the tobacco settlement money that is not used by the SB 07-097 programs and most of the interest earnings on the money in the funds receiving the reallocation of tobacco settlement money);
- increase eligibility in the Children's Basic Health Plan (5.0 percent);
- supplement state contribution for group benefit plans (4.5 percent). This program was narrowed by subsequent legislation**, House Bill 07-1335** to provide supplements to lower income state employees only starting in FY 2008-09;
- Colorado Immunization Program (4.0 percent);
- expansion of alcohol and drug abuse programs (3.0 percent); and
- offset Medicaid shortfall at Children's Hospital (1.0 percent).

The other bill, **House Bill 07-1359** diverts $24.4 million of the tobacco settlement money available for the programs receiving money under SB 07-097 to address expected increased expenditures for the Children's Basic Health Plan Trust and the Colorado Benefits Management System. Further, House Bill 07-1359 allows a portion of the tobacco settlement money received by the state to be spent on programs during the year in which the money is received rather than the year after it is received for a ten-year period. The purpose of this provision is to ensure that the programs receive a certain amount of money in FY 2007-08 due to the $24.4 million diversion. However, in effect, HB07-1359 still reduces the amount of tobacco settlement money the programs receiving money by SB07-097 will receive by $12.9 million in FY 2007-08 only.

Rainy Day Fund

Two measures were introduced to create a budget stabilization (rainy day) fund to allow the state to save money for future economic downturns. Neither bill passed. The first measure, **House Bill 07-1302**, would have increased the state's statutory reserve from 4 percent to 8 percent of General Fund appropriations. The bill would have increased the reserve by 1 percent over its prior year's level in any year in which there was sufficient money to fully fund the SB 97-1 diversion to the Highway Users Tax Fund (HUTF). This diversion of 10.355 percent of sales and use tax occurs when General Fund revenue allows for appropriations to increase 6 percent over the previous year. The reserve would have increased by 0.5 percent in years in which there was not sufficient money to fully fund the SB 97-1 diversion.

The other measure, **House Concurrent Resolution 07-1003**, would have referred an amendment to the state constitution to voters in November 2008 to set up a State Savings and Trust Fund. The measure did not allocate money to the fund, instead it allowed the General Assembly to determine funding with future legislation. During years when there is insufficient revenue to meet a 6 percent appropriations growth rate, the measure allowed the General Assembly to transfer money from the rainy day fund to the General Fund with a majority vote. The General Assembly could only have transferred money from the fund for any purpose with a two-thirds vote.

Property Taxes

The legislature debated a number of property tax measures regarding school districts, business personal property taxes, tax relief (and heating expense assistance) for the elderly and disabled, implementing legislation for Referendum E (expands the senior homestead exemption), and legislation that affects the residential assessment rate (RAR).

School district property taxes. School finance in Colorado is governed by the state constitution (Amendment 23 - Article IX, Section 17) and by statute (the Public School Finance Act of 1994 - Title 22, Article 54, C.R.S.). Under current law, Colorado's school finance act is estimated to cost over $5.1 billion in FY 2007-08, with over $3.3 billion coming from state sources, mainly the state General Fund. **Senate Bill 07-199** modifies several laws affecting public schools, including the Public School Finance Act of 1994.

In regard to property taxes, the bill freezes the school finance mill levy for most school districts and caps the levy for other districts at 27 mills. Freezing mill levies and setting a cap on others reduces state expenditures for school finance by $47.4 million in FY 2007-08 and $47.8 million in FY 2008-09. By freezing school finance mill levies, the bill allows a greater portion of school finance act funding to be paid from local property taxes in districts where voters have approved a ballot question allowing the district to retain revenue in excess of its constitutional limit.

Business personal property taxes. Business personal property taxes are levied on any equipment that is used in an income-generating enterprise, including machinery, furniture, and computers, as well as cable, pipelines, utility and phone lines, and similar assets. Prior to 1996, business personal property taxes were levied on real and personal property with a value of more than $250 and a useful life of more than one year.

In 1996, an effort to reduce the tax burden on small businesses, a company's personal property was exempted from taxes if the actual value of the property was less than $2,500 per county. **House Bill 07-1325** would have raised the personal property tax exemption to $4,000 in actual value for property tax years 2007 and 2008 and to $7,000 in property tax years 2011 and 2012. The amount of the exemption would have increased biannually by the consumer price index for the Denver-Boulder-Greeley area beginning in tax year 2013. This bill was postponed indefinitely.

Tax relief for the elderly and disabled. The Property Tax/Rent/Heat Rebate Program was implemented in 1972 to provide property tax (and energy-assistance) relief to low-income Colorado residents over age 65 and surviving spouses over age 58. In 1980, assistance for heat expenses was added to the program, and low-income disabled individuals became eligible for the program in 1987.

House Bill 07-1106 increases the maximum qualifying income for eligibility to participate in the state Property Tax/Rent/Heat Rebate Program. Beginning January 1, 2009, the income levels are adjusted for inflation using the Denver-Boulder-Greeley consumer price index. This bill was signed into law by the Governor. Table 2 shows how the bill adjusts the program's income eligibility levels.

Table 2
Adjustments to the Property Tax/Rent/Heat Rebate Program's Income Eligibility Levels Made by House Bill 07-1106

(since tax year 1999)	Current Law	HB 07-1106 (January 1, 2008)
Maximum Income:		
Individual	$11,000	$12,000
Married	$14,700	$15,700
Income for Full Benefit ($792):		
Individual	$5,000	$6,000
Married	$8,700	$9,700

Referendum E implementing legislation. Referendum E, approved by the voters in 2006, expands the senior homestead exemption so that it applies to qualifying military veterans who are 100 percent permanently disabled due to a service-connected disability. **House Bill 07-1251** administers the property tax exemption for qualifying disabled veterans that was created by that action. Specifically, the bill addresses the notification and application requirements for military veterans.

It is estimated that 2,237 disabled veterans will qualify for the property tax exemption in Referendum E. For property tax years beginning January 1, 2007, the exemption would apply to half of the first $200,000 in market value for a home owned and occupied by a qualifying disabled veteran. This bill was signed into law by the Governor.

Residential assessment rate. The state constitution requires the General Assembly to biannually establish the residential assessment rate (RAR). The calculations made under the

Gallagher Amendment did not result in a need to change the RAR for property tax years 2007 and 2008. Therefore, **House Bill 07-1177** established that for property tax years 2007 and 2008, the RAR remain unchanged at the 7.96 percent rate. This bill was signed into law by the Governor.

Income Taxes

In 2007, the General Assembly debated three bills that proposed changes to the state income tax system. As in previous years, the legislature debated income tax incentives that promoted job growth and reduced health care expenses. Along with tax incentives, the General Assembly debated measures that affected volunteer firefighters and the Colorado Income Tax Checkoff Program.

House Bill 07-1188 authorized a one-time, non-refundable income tax credit for taxpayers that create new jobs in the state. The credit was capped at $1,500. The credit amount was based upon the wages paid for each new job created. This bill was postponed indefinitely.

House Bill 07-1273 allowed individuals a state income tax deduction for certain medical care expenses. This deduction covered expenses that are not compensated for by insurance, claimed as a deduction on federal income tax, or reimbursed from a flexible spending account, health reimbursement account, or medical savings account. This bill was postponed indefinitely.

Another measure, **House Bill 07-1153** would have allowed volunteer firefighters in active service to receive a two-year, $125 rebate each year when they receive at least 36 hours of training during the year. This bill was postponed indefinitely.

Colorado checkoff programs. Colorado taxpayers can contribute to certain programs through tax "checkoffs" by donating a portion of their income tax refund or increasing the amount owed on their tax return. State law limits the maximum number of checkoffs that may appear on the state income tax form to 15 programs. Also, checkoff programs that appear on the tax form for the first time on or after the 2002 tax year have three years to meet a $75,000 contribution threshold. If the threshold is not met by September 30 of the third year and thereafter, the program will not appear on the state income tax form in the subsequent tax year.

Fifteen income tax checkoffs appeared on the 2006 individual income tax return. Three of the 15 income tax checkoffs sunset in 2006. Two of the three that sunset in 2006 were extended by the General Assembly and the third, the Colorado State Fair checkoff, was not extended. This left room for one new income tax checkoff on the 2007 form — the Breast Cancer Income Tax Checkoff.

Table 3 lists the measures debated by the General Assembly that either extended existing checkoffs or created new checkoffs. As a result of this legislation, 15 income tax checkoffs will appear on the 2007 individual income tax return.

Table 3
2007 Income Tax Checkoff Legislation

Bill Title	Checkoff Provisions
House Bill 07-1201 **Pet Overpopulation Income Tax Checkoff**	This bill *extends* the income tax checkoff program that uses donations to fund the Pet Overpopulation Program Fund. The fund provides community grants to subsidize spay/neuter surgeries for pets of qualified owners and supports spay/neuter education programs.
Senate Bill 07-037 **Emily Maureen Ellen Keyes Organ and Tissue Income Tax Checkoff**	This bill *extends* the income tax checkoff program that uses donations to fund the Organ and Tissue Donation Awareness Fund and renames the fund to the Emily Maureen Ellen Keyes Organ and Tissue Donation Awareness Fund. Donations are used to fund athletic programs for Colorado children and adults with developmental disabilities.
House Bill 07-1354 **Breast Cancer Income Tax Checkoff**	This bill *creates a new* income tax checkoff program that uses donations to fund the Colorado Breast and Women's Reproductive Cancers Fund. Donations are to be transferred to the Colorado Cancer Coalition, which will administer fund money to further the work of the Colorado Breast Cancer Task Force and its partners.

Sales Taxes

The legislature debated sales and use tax measures that expanded an exemption and affected local governments, such as authorizing local governments to impose sales taxes to fund certain services upon voter approval.

Exemptions. **House Bill 07-1277** exempts the purchase of any infrastructure required to create a clean room in a manufacturing facility from the sales and use tax. Current law already exempts machinery that is used directly in the manufacturing process including, in the case of clean rooms, air filtration systems. This bill would exempt additional infrastructure required to create the clean room environment including lighting, fixtures, process piping, valves, electrical components, chillers, pumps, ducts, tanks, motors, computers, or any other related apparatus. This bill was signed into law by the Governor.

Another bill, **House Bill 07-1279**, provides a sales and use tax exemption for the purchases of certain machinery or machine tools used in the production of electricity from a renewable energy source. More information on this bill may be found in the section on *Renewable Energy Tax Legislation.*

Funding health districts. **House Bill 07-1219** allows for the establishment of sales tax funded health assurance and health service districts, with voter approval. Health assurance districts provide health care services to residents of the district and health service districts establish, maintain, or operate health care facilities or ambulance services. These districts are already authorized to impose a property tax to fund services, if approved by voters. The bill also allows a county to impose an additional sales tax to fund health care services, with voter approval, and exempts the new tax from the existing 6.91 percent limitation on the combined sales and use tax rate for the state, counties, and municipalities.

House Bill 07-1168 allows a municipality or county to create or join a forest improvement district, subject to voter approval, to protect communities from wildfires and improve forest conditions. The districts would be funded by a new sales tax applicable within the district.

House Bill 07-1344 allows a county to seek voter approval to impose up to a 2 percent sales tax to fund improvements made by a local government public safety organization. The bill specifies that money from the sales tax must be spent exclusively on improvements made by a local government public safety organization. These improvements may include capital expenditures or operational costs associated with such organizations.

House Bill 07-1190 limits the amount of sales or use tax levied by a Regional Transportation Authority that the Department of Revenue may retain for its costs in collecting, administering, and enforcing the tax. Therefore, revenue to the Regional Transportation Authorities will increase and revenue to the General Fund will decrease by about $167,000 in FY 2007-08 and $335,000 in FY 2008-09.

Miscellaneous Public-Finance Measures

The General Assembly debated measures that would have required state agencies to make expenditure information more available to the public and provide information on who pays the different taxes that are imposed by the state of Colorado. Another measure that was debated and adopted by the legislature diverted revenue from General Fund revenue sources to increase funding for certain programs.

State expenditure reports. **House Bill 07-1164** created the Taxpayer Transparency Act for the purpose of making state expenditures over $300 available to the public on a searchable website. The bill would have required the state treasurer to develop and operate a single website that summarized expenditure information on all state agencies, departments, and other state government entities. This bill was postponed indefinitely.

Tax incidence study. **House Bill 07-1290** would have required the Department of Revenue to prepare a biannual tax incidence and expenditure report on or before November 1, 2007, and in each odd-numbered year thereafter. For state taxes, the report and analysis would have included income, sales and use, gasoline, special fuel, and severance taxes. For local government taxes, property, and sales and use taxes would have been included. This bill was postponed indefinitely.

Colorado conservation easement tax credit. The conservation easement tax credit was first effective for the 2000 income tax year. In the 2007 tax year, taxpayers can claim a credit equal to 50 percent of the donation capped at $375,000. The cap on the credit is reached with a donation of $750,000 or more in fair market value. **House Bill 07-1361,** establishes requirements to verify the validity of state income tax credits claimed by a taxpayer for donating a conservation easement in the state.

General Fund diversions. The General Assembly adopted bills that diverted revenue from General Fund revenue sources to increase funding for certain programs. One of these bills related to public finance, **House Bill 07-1100,** increased funding to the Older Coloradans Cash Fund from receipts collected from the state sales and use tax. The Older Coloradans Cash Fund was established in 2000 by HB 00-1072 and is administered by 16 statewide Area Agencies on Aging. Program services include personal care, assisted transportation, congregate meals, home-delivered meals, homemaker services, adult day care, transportation, legal assistance, and general information and assistance. For FY 2007-08 and each year thereafter, funding for the Older Coloradans Cash Fund Program from the state sales and use tax was increased from $3.0 million to $5.0 million.